

BIOLA COMMUNITY SERVICES DISTRICT

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Biola Community Services District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Biola Community Services District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 24 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
August 15, 2024

BIOLA COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ -	\$ 1,017,176	\$ 1,017,176
Accounts receivable, net	-	89,586	89,586
Accrued Interest receivable	2,700	305	3,005
Due from other governmental agencies	129,031	196,144	325,175
Internal balances	(520,878)	520,878	-
Capital assets, net	1,867,936	4,455,991	6,323,927
Total Assets	1,478,789	6,280,080	7,758,869
LIABILITIES			
Accounts payable and accrued expense	132,934	713,857	846,791
Accrued interest payable	5,156	7,772	12,928
Deposits	3,600	18,529	22,129
Long-Term Liabilities			
Portion due within one year	13,413	84,854	98,267
Portion due in more than one year	118,873	695,740	814,613
Total Liabilities	273,976	1,520,752	1,794,728
DEFERRED INFLOWS OF RESOURCES			
Contributed capital	-	28,232	28,232
Total Deferred Inflows of Resources	-	28,232	28,232
NET POSITION			
Net investment in capital assets	1,735,650	3,675,397	5,411,047
Unrestricted	(530,837)	1,055,699	524,862
Total Net Position	\$ 1,204,813	\$ 4,731,096	\$ 5,935,909

The accompanying notes are an integral part of the financial statements.

**BIOLA COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net Revenue/(Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 338,940	\$ -	\$ -	\$ 247,062	\$ (91,878)	\$ -	\$ (91,878)
Total governmental activities	338,940	-	-	247,062	(91,878)	-	(91,878)
Business-type activities:							
Water	328,846	205,623	-	646,402	-	523,179	523,179
Water disposal	492,488	279,707	-	110,140	-	(102,641)	(102,641)
Total business-type activities	821,334	485,330	-	756,542	-	420,538	420,538
Total Primary Government	<u>\$ 1,160,274</u>	<u>\$ 485,330</u>	<u>\$ -</u>	<u>\$ 1,003,604</u>	<u>(91,878)</u>	<u>420,538</u>	<u>328,660</u>
General Revenues:							
Property taxes					69,752	-	69,752
Special assessments					7,244	-	7,244
Interest revenues					6,701	4,524	11,225
Other revenues					32,793	-	32,793
Transfers					(51,915)	51,915	-
Total general revenues					<u>64,575</u>	<u>56,439</u>	<u>121,014</u>
Change in Net Position					(27,303)	476,977	449,674
Net Position, Beginning of Year					<u>1,232,116</u>	<u>4,254,119</u>	<u>5,486,235</u>
Net Position, End of Year					<u>\$ 1,204,813</u>	<u>\$ 4,731,096</u>	<u>\$ 5,935,909</u>

The accompanying notes are an integral part of the financial statements.

**BIOLA COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2023**

	General Fund
ASSETS	
Accrued interest receivable	\$ 2,700
Due from other governmental agencies	129,031
Total Assets	\$ 131,731
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable and accrued expenses	\$ 132,934
Deposits	3,600
Due to other fund	520,878
Total Liabilities	657,412
Fund Balance	
Unassigned	(525,681)
Total Fund Balance	(525,681)
Total Liabilities and Fund Balance	\$ 131,731

The accompanying notes are an integral part of the financial statements.

**BIOLA COMMUNITY SERVICES DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position

Total fund balance - Governmental Fund	\$ (525,681)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,867,936
Interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(5,156)
Long-term liabilities, including notes payable, are not due in the current period and, therefore, are not reported in the funds.	<u>(132,286)</u>
Total net position - Governmental Activities	<u><u>\$ 1,204,813</u></u>

The accompanying notes are an integral part of the financial statements.

**BIOLA COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund
REVENUES	
Capital contributions	\$ 247,062
Property taxes	69,752
Special assessments	7,244
Interest revenues	6,701
Other revenues	32,793
	<u>363,552</u>
Total revenues	<u>363,552</u>
EXPENDITURES	
Personnel	78,465
Community support	2,500
Contract services	5,224
License and fees	818
Maintenance and repairs	23,557
Professional services	25,000
Telephone and communication	2,179
Insurance	3,891
Office expense	12,337
Supplies and tools	5,253
Utilities	7,564
Memberships and publications	867
Other expenses	1,437
Travel	1,562
Capital outlay	244,713
Debt service	1,292
	<u>416,659</u>
Total expenditures	<u>416,659</u>
Net Change in Fund Balance	(53,107)
Fund Balance, Beginning of Year	<u>(472,574)</u>
Fund Balance, End of Year	<u>\$ (525,681)</u>

The accompanying notes are an integral part of the financial statements.

**BIOLA COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of the Governmental Fund to the Statement of Activities:

Net change in fund balance - total Governmental Fund	\$	(53,107)
Depreciation expense on capital assets is reported in the Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not recorded as an expenditure in the governmental fund.		(166,994)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		244,713
Transfer out uses noncurrent financial resources from governmental activities, however, this transaction does not have an effect on fund balance.		<u>(51,915)</u>
Change in Net Position - Governmental Activities	\$	<u><u>(27,303)</u></u>

The accompanying notes are an integral part of the financial statements.

**BIOLA COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023**

	Business-Type Activities - Enterprise Funds		
	Water	Waste Disposal	Total Proprietary Funds
ASSETS			
Current assets			
Cash and investments	\$ 1,017,176	\$ -	\$ 1,017,176
Accounts receivable, net	53,815	35,771	89,586
Accrued Interest receivable	305	-	305
Due from other governmental agencies	173,704	22,440	196,144
Due from other funds	590,682	(69,804)	520,878
Total current assets	<u>1,835,682</u>	<u>(11,593)</u>	<u>1,824,089</u>
Noncurrent assets			
Property, plant, and equipment (net of allowance for depreciation)	2,511,831	1,944,160	4,455,991
Total noncurrent assets	<u>2,511,831</u>	<u>1,944,160</u>	<u>4,455,991</u>
Total Assets	<u>4,347,513</u>	<u>1,932,567</u>	<u>6,280,080</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expense	659,841	54,016	713,857
Accrued interest payable	3,200	4,572	7,772
Deposits	9,439	9,090	18,529
Current portion of long-term debt	40,145	44,709	84,854
Total current liabilities	<u>712,625</u>	<u>112,387</u>	<u>825,012</u>
Noncurrent liabilities			
Long-term debt	299,497	396,243	695,740
Total noncurrent liabilities	<u>299,497</u>	<u>396,243</u>	<u>695,740</u>
Total Liabilities	<u>1,012,122</u>	<u>508,630</u>	<u>1,520,752</u>
DEFERRED INFLOWS OF RESOURCES			
Contributed capital	28,232	-	28,232
Total Deferred Inflows of Resources	<u>28,232</u>	<u>-</u>	<u>28,232</u>
NET POSITION			
Net investment in capital assets	2,172,189	1,503,208	3,675,397
Unrestricted	1,134,970	(79,271)	1,055,699
Total Net Position	<u>\$ 3,307,159</u>	<u>\$ 1,423,937</u>	<u>\$ 4,731,096</u>

The accompanying notes are an integral part of the financial statements.

**BIOLA COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Business-Type Activities - Enterprise Funds		
	Water	Waste Disposal	Total Proprietary Funds
Operating Revenues			
Charges for services	\$ 205,623	\$ 279,707	\$ 485,330
 Total operating revenues	 205,623	 279,707	 485,330
Operating Expenses			
Personnel	45,367	52,631	97,998
Contract services	35,261	137,331	172,592
License and fees	19,143	25,497	44,640
Maintenance and repairs	42,294	59,172	101,466
Professional services	33,528	41,187	74,715
Telephone and communication	3,814	4,618	8,432
Insurance	9,242	11,188	20,430
Office expense	366	645	1,011
Supplies and tools	303	1,363	1,666
Utilities	17,964	21,747	39,711
Memberships and publications	2,309	2,493	4,802
Other expenses	3,973	-	3,973
Travel	271	328	599
Bad debt expense	14,260	23,446	37,706
Depreciation expense	97,736	106,534	204,270
Total operating expenses	325,831	488,180	814,011
Operating income/(loss)	(120,208)	(208,473)	(328,681)
Nonoperating Revenues/(Expenses)			
Interest income	4,524	-	4,524
Interest expense	(3,015)	(4,308)	(7,323)
Total nonoperating revenues/(expenses)	1,509	(4,308)	(2,799)
Net income/(loss) before transfers and capital contributions	(118,699)	(212,781)	(331,480)
Other Financing Sources (Uses)			
Operating transfers in	20,766	31,149	51,915
Total Other Financing Sources (Uses)	20,766	31,149	51,915
Capital Contributions	646,402	110,140	756,542
Change in Net Position	548,469	(71,492)	476,977
Net Position, Beginning of Year	2,758,690	1,495,429	4,254,119
Net Position, End of Year	\$ 3,307,159	\$ 1,423,937	\$ 4,731,096

The accompanying notes are an integral part of the financial statements.

**BIOLA COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Business-Type Activities - Enterprise Funds		
	Water	Waste Disposal	Total Proprietary Funds
Operating Activities			
Receipts from customers and users	\$ 180,475	\$ 292,692	\$ 473,167
Payments for goods and services	186,006	(494,227)	(308,221)
Payments to/for employees	(45,367)	(52,631)	(97,998)
Net cash provided (used) by operating activities	<u>321,114</u>	<u>(254,166)</u>	<u>66,948</u>
Noncapital Financing Activities			
Received from/(paid to) other funds	(116,235)	92,337	(23,898)
Net cash provided (used) by noncapital financing activities	<u>(116,235)</u>	<u>92,337</u>	<u>(23,898)</u>
Capital and Related Financing Activities			
Interest payments made	6,030	8,616	14,646
Purchase of property, plant, and equipment	(36,936)	(26,115)	(63,051)
Payments on long-term debt	(8,850)	-	(8,850)
Proceeds from long-term debt	127,243	174,972	302,215
Net cash provided (used) by capital and related financing activities	<u>87,487</u>	<u>157,473</u>	<u>244,960</u>
Investing Activities			
Interest received	6,041	-	6,041
Net cash provided (used) by investing activities	<u>6,041</u>	<u>-</u>	<u>6,041</u>
Net Increase/(Decrease) in Cash and Investments	298,407	(4,356)	294,051
Cash and Investments			
Beginning of year	718,769	4,356	723,125
End of year	<u>\$ 1,017,176</u>	<u>\$ -</u>	<u>\$ 1,017,176</u>
Cash Flows from Operating Activities			
Operating income (loss)	\$ (120,208)	\$ (208,473)	\$ (328,681)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	97,736	106,534	204,270
(Increase)/decrease in accounts receivable, n	(17,462)	26,335	8,873
(Increase)/decrease in prepaid expenses	11,436	14,575	26,011
(Increase)/decrease in due from other governmental agencies	(148,171)	(22,440)	(170,611)
Increase/(decrease) in accounts payable and accrued expense	505,469	(179,787)	325,682
Increase/(decrease) in deposits	(7,686)	9,090	1,404
Net Cash Provided (Used) by Operating Activities	<u>\$ 321,114</u>	<u>\$ (254,166)</u>	<u>\$ 66,948</u>
Noncash Capital and Related Financing Activities			
Capital contributions received	<u>646,402</u>	<u>110,140</u>	<u>756,542</u>

The accompanying notes are an integral part of the financial statements.

**BIOLA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Biola Community Services District (the District) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity: The District is a public entity organized under the provisions of Section 6100, Title 6 of the California Government Code and supplies its consumers with water, waste disposal, storm drain, community center and street light services in the unincorporated community of Biola in the County of Fresno. The District is governed by an elected five-member Board of Directors.

The District does not have a relationship with any other related activities, organizations, or functions of government which should be included in the financial reporting entity of the District as required by GASB Statement No. 14, "The Financial Reporting Entity".

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The financial statements of the District are prepared on the basis of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management Discussion and Analysis – for State and Local Governments*, and related standards. GASB Statement No. 34 established standards for external financial reporting for all state and local government entities which includes a management's discussion and analysis section, a statement of net position, a statement of activities, and, if applicable, a statement of cash flows. The financial statements consist of the following:

- Government-Wide Financial Statements -

The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities and Changes in Net Position) report information of all of the nonfiduciary activities of the primary government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities, which normally are supported by taxes, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The Statement of Net Position presents the financial condition of the governmental activities of the District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions.

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

BIOLA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued):

- Governmental Fund Financial Statements –

The Governmental Fund Financial Statements provide information about the District's funds, with separate statements presented for each fund category – *governmental and proprietary*. The emphasis of the fund financial statements is on major governmental, and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The District reports the following major governmental fund:

General Fund - The General Fund is the principle operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

The City reports the following major enterprise funds:

Water System Fund – The Water System Fund is used to account for the financial activities of water utility of the District.

Wastewater Fund – The Wastewater Fund is used to account for financial activities of sewage collection and wastewater treatment utility of the District.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating.

**BIOLA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and investments: Substantially all the District’s cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three (3) months or less to be cash equivalents. The District maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month-end cash balances in each fund.

Accounts receivables: The District bills for services on a cycle billing method. Cycle billing results in an amount of services rendered but not yet billed at year end. The District has recorded this revenue by estimating the unbilled amount. The estimate was calculated by using the billings subsequent to the financial statement date (June 30th) and calculating the amount of service provided prior to June 30th. This calculated amount is included within accounts receivable as part of the customer account balances along with billed but unpaid services. An allowance for doubtful accounts is provided to account for potentially uncollectible amounts.

Fresno County is responsible for the assessment, collection, and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1st and February 1st. They become delinquent on December 10th and April 10th, respectively. The lien date is March 1st of each year. Property taxes are accounted for in the general fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The District considers property taxes as available if they are collected within 60 days after year end. Property taxes on the unsecured roll are due on the March 1st lien date and become delinquent if unpaid on August 31st. However, secured property taxes are not susceptible to year end accrual.

Capital Assets: The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations. The presentation and recording of government assets are described below.

Capital assets are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

	Years
Building, structures and improvements	20-30
Water and sewer utility plants and improvements	25-30
Equipment	5-15

BIOLA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations: In the Government-Wide Financial Statements, and Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type Statement of Net Position. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position

Net Position: The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constructional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents the net position of the District, not restricted for any project or other purpose.

Fund Balance: In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

As of June 30, 2023, fund balances of the governmental fund are classified as follows:

- *Non-spendable:* Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- *Restricted:* Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed:* Amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for the District, the Board of Directors. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.
- *Assigned:* Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or director may assign amounts for specific purposes.
- *Unassigned:* All other spendable amounts.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the District's policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the District's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

BIOLA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Governmental Accounting Standards Update: During the year ending June 30, 2023, the District implemented the following Governmental Accounting Standards Board (GASB) standards with no financial impact:

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2021.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed the certain requirements of this statement to reporting periods beginning after June 15, 2023.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

Governmental Accounting Standards Update (continued): Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 99 – *Omnibus 2023*. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

GASB Statement No. 102 – *Certain Risk Disclosures*. The requirements of this statement are effective for reporting periods beginning after June 15, 2024.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in these financial statements. Management has determined that the event in Note 10 requires disclosure in accordance with accounting standards. These subsequent events have been evaluated through August 15, 2024, which is the date the financial statements were available to be issued.

**BIOLA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 1,017,176
Total Cash and Investments	\$ 1,017,176

Cash and investments as of June 30, 2023 consist of the following:

Cash and Investments:	
Deposits with Financial Institution	\$ 611,049
County of Fresno's Pooled Cash	115,506
Local Agency Investment Fund	290,621
Total Cash and Investments	\$ 1,017,176

Fair Value Measurements: The framework for measure fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District is considered to be a voluntary participant in an external investment pool, which is under the direct authority of the Fresno County Treasurer and Tax Collector and governed by the California Government Code. The Fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The District's only investments, which are allocated at fair value, are in the County of Fresno Treasurer's Investment Pool and the California Local Agency Investment Fund (LAIF). These investment pools invest in numerous types of investments ranging from all levels in the fair value hierarchy. Accordingly, it is not an investment type that can be categorized in any particular level in the fair value hierarchy.

Authorized Deposits and Investments: The District's investment policy authorizes investments in the County of Fresno Treasurer's Pooled Cash Portfolio and the California Local Agency Investment Fund (LAIF). The District's investment policy does not contain specific provisions intended to limit its exposure to interest rate risk, credit risk, custodial risk, and concentration of credit risk.

BIOLA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 2 – CASH AND INVESTMENTS (continued)

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

Credit Risk: Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization; however, the Fresno County Pool and LAIF are not rated.

Custodial Credit Risk: Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The District did not have cash with banks that exceeded federal depository insurance limits as of June 30, 2023.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Local financial institutions, under California state law, are required to collateralize local government agency deposits in excess of FDIC insured amounts up to \$250,000. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Fresno County Pool or LAIF).

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The District's deposit portfolio with governmental agencies, Fresno county is 11% and LAIF is 29% as of June 30, 2023, of the District's total depository and investment portfolio. The District does not have a formal investment policy that would further limit exposure to concentration of credit risk.

Fresno County Treasurer Fund: The Fresno County Treasurer's Pooled Cash Portfolio (Pool) is a pooled investment fund program governed by the Fresno County Board of Supervisors and administered by the Fresno County Treasurer. Investments in the Pool are highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit. The Fresno County's bank deposits are either federally insured or collateralized in accordance with the California Government Code.

Investment in State Investment Pool: The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**BIOLA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 3 – ACCOUNTS RECEIVABLE

The accounts receivable, net balance consists of the following balances as of June 30, 2023.

	<u>Water</u>	<u>Water Disposal</u>	<u>Total</u>
Accounts receivable	\$ 68,075	\$ 59,217	\$ 127,292
Allowance for uncollectible receivables	<u>(14,260)</u>	<u>(23,446)</u>	<u>(37,706)</u>
Accounts receivable, net	<u>\$ 53,815</u>	<u>\$ 35,771</u>	<u>\$ 89,586</u>

NOTE 4 – INTERFUND ACTIVITIES

Interfund receivables and payables consist of short-term loans resulting from regular transactions. These loans are expected to be repaid as soon as the borrowing fund has available cash resources. Individual fund interfund receivables and payables balances as of June 30, 2023 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 520,878
Water Fund	<u>520,878</u>	<u>-</u>
	<u>\$ 520,878</u>	<u>\$ 520,878</u>

The purpose of most transfers is to reimburse a fund that has made expenditures on behalf of another fund. Transfers within fund types have been eliminated with the government-wide financial statements. Transfers in and out for the year ended June 30, 2023 are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Activities	\$ -	\$ (51,915)
Water Fund	20,766	
Water Disposal Fund	<u>31,149</u>	
Total Governmental Activities	<u>\$ 51,915</u>	<u>\$ (51,915)</u>

BIOLA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance 6/30/2022	Additions	Retirements	Balance 6/30/2023
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 68,066	\$ -	\$ -	\$ 68,066
Construction in progress	37,397	244,712	(270,714)	11,395
Total capital assets not being depreciated	<u>105,463</u>	<u>244,712</u>	<u>(270,714)</u>	<u>79,461</u>
Capital assets being depreciated:				
Building and improvements	2,775,441	270,717	-	3,046,158
Machinery and equipment	67,861	-	-	67,861
Total capital assets being depreciated	<u>2,843,302</u>	<u>270,717</u>	<u>-</u>	<u>3,114,019</u>
Building and improvements	(1,122,610)	(158,886)	-	(1,281,496)
Machinery and equipment	(35,940)	(8,108)	-	(44,048)
Less accumulated depreciation	<u>(1,158,550)</u>	<u>(166,994)</u>	<u>-</u>	<u>(1,325,544)</u>
Total capital assets being depreciated, net	<u>1,684,752</u>	<u>103,723</u>	<u>-</u>	<u>1,788,475</u>
Total capital assets, net	<u>\$ 1,790,215</u>	<u>\$ 348,435</u>	<u>\$ (270,714)</u>	<u>\$ 1,867,936</u>
	Balance 6/30/2022	Additions	Retirements	Balance 6/30/2023
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 125,990	\$ -	\$ -	\$ 125,990
Construction in progress	749,766	781,698	-	1,531,464
Total capital assets not being depreciated	<u>875,756</u>	<u>781,698</u>	<u>-</u>	<u>1,657,454</u>
Capital assets being depreciated:				
Building and improvements	5,982,454	-	-	5,982,454
Machinery and equipment	118,714	37,895	-	156,609
Total capital assets being depreciated	<u>6,101,168</u>	<u>37,895</u>	<u>-</u>	<u>6,139,063</u>
Building and improvements	(3,053,357)	(195,033)	-	(3,248,390)
Machinery and equipment	(82,899)	(9,237)	-	(92,136)
Less accumulated depreciation	<u>(3,136,256)</u>	<u>(204,270)</u>	<u>-</u>	<u>(3,340,526)</u>
Total capital assets being depreciated, net	<u>2,964,912</u>	<u>(166,375)</u>	<u>-</u>	<u>2,798,537</u>
Total capital assets, net	<u>\$ 3,840,668</u>	<u>\$ 615,323</u>	<u>\$ -</u>	<u>\$ 4,455,991</u>

**BIOLA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 5 – CAPITAL ASSETS (continued)

Depreciation expense was charged to the following functions in the Statement of Activities:

Governmental Functions:	
General Government	\$ 166,994
Business-Type Functions:	
Water Fund	\$ 97,736
Water Disposal Fund	106,534
	\$ 204,270

NOTE 6 – LONG-TERM DEBT

Long-term debt at June 30, 2023, consisted of the following:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Current Portion
<u>Governmental Activities:</u>					
<i>Direct borrowings:</i>					
Note payable - CA Energy Commission	\$ 81,739	\$ 50,547	\$ -	\$ 132,286	\$ 13,413
Total Governmental Activities	\$ 81,739	\$ 50,547	\$ -	\$ 132,286	\$ 13,413
<u>Business-Type Activities:</u>					
<i>Direct borrowings:</i>					
Department of Water Resources Loan	\$ 39,825	\$ -	\$ (8,850)	\$ 30,975	\$ 8,850
Note payable - CA Energy Commission	447,404	302,215	-	749,619	76,004
Total Business-Type Activities	\$ 487,229	\$ 302,215	\$ (8,850)	\$ 780,594	\$ 84,854

Long-term debt payable at June 30, 2023 was comprised of the following individual issues:

Note Payable - CA Energy Commission- In May 2020, the District entered into a loan agreement payable for \$881,905 with the State of California Energy Resources Conservation and Development Commission to fund certain energy conservation improvements to the District’s facilities. The loan is payable in semi-annual payments of \$27,662 on December 22nd and June 22nd, each year beginning December 22, 2022 and ending December 22, 2039. The loan bears a 1.00% interest rate. As of June 30, 2023, the District has drawn \$881,905 of the available loan amount and the balance is allocated as follows based on project expenditures: governmental activities \$132,286, and business-type activities \$749,619.

Department of Water Resources Loan- In July 2006, the District entered into a loan agreement payable for \$177,000 with the State of California Department of Water Resources to fund improvements to the District’s water facilities. The loan is payable in semi-annual payments of \$4,425 on July 1st and January 1st, each year beginning July 1, 2006 for a period of 20 years. The loan is non-interest bearing. Water revenues were pledged to guarantee the loan.

**BIOLA COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 6 – LONG-TERM DEBT (continued)

The annual requirements to amortize the principal and interest on long-term debt at June 30, 2023 were as follows:

Years ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 13,413	\$ 3,184	\$ 84,854	\$ 18,045
2025	7,127	1,171	49,239	6,636
2026	7,199	1,100	49,644	6,231
2027	7,271	1,027	45,628	5,822
2028	7,341	957	41,602	5,423
Thereafter	89,935	5,601	509,627	31,735
	<u>\$ 132,286</u>	<u>\$ 13,040</u>	<u>\$ 780,594</u>	<u>\$ 73,892</u>

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss to torts; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries all its insurance coverage over these risks and for Workers' Compensation through the Special Districts Risk Management Authority (SDRMA), a public entity risk pool, for property and liability insurance. SDRMA assumes the risk of loss from claims incurred by the pool, up to the policy limits, through a combination of self-insurance and the purchase of commercial insurance. The District retains risk of loss, depending on type of occurrence, of up to \$2,000.

NOTE 8 – DEFICIENCY OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2023, expenditures exceeded appropriations as follows:

Expenditures	Amount
General government	\$ 61,946
Capital	234,713

NOTE 9 – DEFICIT FUND BALANCE

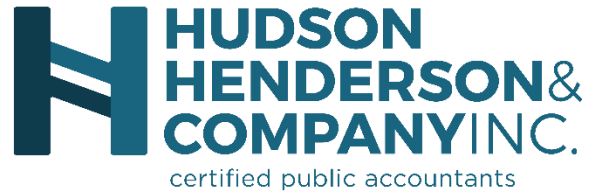
The District has a deficit fund balance of \$525,681 in the General Fund due to operating expenditures exceeding operating revenues over the years.

BIOLA COMMUNITY SERVICES DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**BIOLA COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE- BUDGET TO ACTUAL (GAAP)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		
REVENUES				
Capital contributions	\$ -	\$ -	\$ 247,062	\$ 247,062
Property taxes	57,000	57,000	69,752	12,752
Charges for services	14,000	14,000	7,244	(6,756)
Interest income	1,100	1,100	6,701	5,601
Other revenues	25,000	25,000	32,793	7,793
	<u>97,100</u>	<u>97,100</u>	<u>363,552</u>	<u>266,452</u>
EXPENDITURES				
General government	110,000	110,000	171,946	(61,946)
Capital outlay	10,000	10,000	244,713	(234,713)
	<u>120,000</u>	<u>120,000</u>	<u>416,659</u>	<u>(296,659)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(22,900)</u>	<u>(22,900)</u>	<u>(53,107)</u>	<u>(30,207)</u>
Net Change in Fund Balance	<u>\$ (22,900)</u>	<u>\$ (22,900)</u>	(53,107)	<u>\$ (30,207)</u>
Fund Balance, Beginning of Year			<u>(472,574)</u>	
Fund Balance, End of Year			<u>\$ (525,681)</u>	



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Biola Community Services District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Biola Community Services District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 15, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
August 15, 2024

**BIOLA COMMUNITY SERVICES DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

Finding 2022-001 – Improper Recordkeeping:

Criteria:

Biola Community Services District (the District) is required to maintain complete and accurate records of board meeting minutes in accordance with applicable laws and regulations. Additionally, the District is expected to maintain proper transactional records in accordance with policies, procedures, laws, and regulations.

Condition:

During their audit of the financial statements of the District for the year ended June 30, 2022, the prior year auditors identified deficiencies related to the District's failure to maintain complete and accurate records of board meeting minutes and failure to provide requested transactional records in a timely manner. Specifically, they found that the District did not have complete and accurate records of all board meeting minutes for the period audited and through the date of the auditors' reports, which could result in non-compliance with applicable laws and regulations. In addition, the District was unable to provide certain transactional records requested during their audit in a timely manner, resulting in delays and additional audit procedures.

Cause:

The prior year auditors review of the District's record-keeping practices revealed a lack of sufficient internal controls and oversight over the maintenance of board meeting minutes, as well as a lack of established policies and procedures for maintenance of transactional records. Additionally, the District may not have allocated sufficient resources or provided adequate training to staff responsible for the maintenance of transactional records.

Effect:

Failure to address these issues could result in non-compliance with applicable laws and regulations, increased risk of legal or regulatory consequences for the District, and increased risk of fraud.

Recommendation:

The prior year auditors recommended that the District take immediate action to address the deficiencies identified during their audit. Specifically, the District should establish and implement policies and procedures to ensure that all board meeting minutes are accurately recorded, transcribed, and properly stored in accordance with applicable laws and regulations. The District should also provide training to all staff involved in the recording and maintenance of board meeting minutes to ensure that they understand their roles and responsibilities.

In addition, they recommended that the District develop and implement policies and procedures for the proper maintenance of transactional records. The District should allocate sufficient resources and provide training to staff responsible for this duty.

Management Response:

Effective December 2022, the District has a new Board of Directors. The new Board of Directors has implemented a committee including 2 Board Members, 1 General Manager, and 1 staff person to be part of the committee to update the current policies and procedures of the District. The District has also trained the new Board Clerk in the implementation of accurate minutes and recordings of meetings at all times. Moving forward the District will properly maintain all of the District's transactional records to provide to the District auditors in a timely manner.

Current Year Status:

Implemented.